

Message Text

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TO AMEMBASSY NEW DELHI IMMEDIATE

C O N F I D E N T I A L STATE 240788

E.O. 11652: GDS

TAGS: EFIN, IN

SUBJ: RUPEES: TRANSITION ACCOUNT

REF: (A) NEW DELHI 14380; (B) STATE 239411

1. DURING DEC. 7 CALL ON SECRETARY, AMB KAUL ASKED, UNDER INSTRUCTIONS, WHY WE WERE ASKING FOR EXTRA \$15 MILLION RPT \$15 MILLION FOR COOLEY ACCOUNT TO COVER UNEXPENDED OBLIGATIONS AFTER JUNE 30, 1974. HE SAID GOI SURPRISED BY LAST-MINUTE INJECTION THIS PROBLEM AND HE HOPED THIS COULD BE SET ASIDE. WE TOLD KAUL WE WERE UNCLEAR WHAT PROBLEM WAS AND WOULD HAVE TO CHECK INTO MATTER. (REFTEL A RECEIVED ONLY AFTER MEETING.)

2. FIRST, THE FACTS. THE GREAT BULK OF THE FUNDS NEEDED TO CARRY FORWARD IN FY-75 THE SCIENTIFIC PROJECTS TOTALLING RS. 91 MILLION CAN PERFECTLY WELL BE NON-PL-480 RUPEES. OF AGENCIES LISTED REFTEL B, ONLY PORTION OF HEW/SRS PROJECTS REQUIRE PL-480 RUPEES FOR FY-75. IN SUM, YOU MAY, AS A PRACTICAL MATTER, RECEDE BY, SAY 80 MILLION RUPEES. WE WILL PUT SHARP PENCIL TO THIS IF NECESSARY AND MIGHT WELL FIND WE NEED RETAIN EVEN SMALLER PART OF RS. 91 MILLION, POSSIBLY AS LITTLE AS RS. 3 MILLION.

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3. NOW, THE QUESTION OF PRINCIPLE. YOU ARE ABSOLUTELY

CORRECT IN LINE YOU TOOK. NEVERTHELESS, YOU AND WE CAN BOTH APPRECIATE THAT REQUIREMENT FOR EXTRA 91 MILLION RUPEES ON TOP OF ALREADY UNEXPECTEDLY LARGE AMOUNT WITH POSSIBILITY RAPID DRAWDOWN CREATES SITUATION OF REAL CONCERN TO GOI BUDGET MANAGERS. IT SEEMS TO US THAT TO PUSH PRINCIPLE THIS FAR COULD BE SEEN TO RUN COUNTER TO OVERALL CONCEPT OF SETTLEMENT AND WE SUGGEST THIS SITUATION OPENS WAY TO GESTURE ON OUR PART TO BREAK FINAL LOGJAM. THIS PARTICULARLY SO, IN OUR VIEW, IN LIGHT YOUR SUCCESS IN PERSUADING GOI ACCEDE TO OUR REQUESTS CONCERNING OTHER HITHERTO OUTSTANDING ISSUES (E.G., AGRICULTURAL RESEARCH, CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS, AND DRAFTING CHANGES).

4. IN SUM, YOU AUTHORIZED, AT TIMING YOU CHOOSE, ADVISE INDIANS THAT ON RECHECK WE FIND WE CAN FUND BULK OF SCIENTIFIC PROJECTS FROM NON-PL-480 RUPEES STARTING FY-75. THIS DROPS TOTAL TO UNDER 200 MILLION RUPEES.

5. IN WAKE AMBASSADOR KAUL'S MEETING WITH SECRETARY, AND ALSO BEFORE RECEIPT REFTEL A, WE DISCUSSED MATTER WITH ECON MINISTER G. V. RAMAKRISHNA AND ERIC GONSALVES OF INDIAN EMBASSY HERE. WE EMPHASIZED POSSIBILITY PROBLEM AROSE FROM NEED TO ENSURE ADEQUATE PL-480 RUPEE CASH FLOW. (WE WERE, OF COURSE, UNAWARE WE WERE DEALING WITH SUM AS HIGH AS 274 MILLION RUPEES.) IN RESPONSE GONSALVES SUGGESTED, AS POSSIBLE SOLUTION, THAT GOI ADVANCE \$15 MILLION WORTH OF RUPEES WHICH WE WOULD REPAY FROM COOLEY ACCOUNT WHEN INFLOWS PERMITTED, SAY AFTER YEAR OR TWO. THIS NOW, OF COURSE, NO LONGER AN APPROPRIATE SOLUTION.

6. FOR OUR INFORMATION, PLEASE PROVIDE US BREAKDOWN OF 120 MILLION RUPEES OF PROPOSED AID EXPENDITURES OR REFERENCE TO SOURCE THIS FIGURE.

7. CONGRATULATIONS ON SPEEDY RESOLUTION OTHER
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SUBSTANTIVE ISSUES. WE AWAIT CONFIRMATION OF
DELECTION PARA 10. KISSINGER

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